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July 31, 1998 DOCUMENT CONTROL

Mr. Jack Rose  
Executive Secretary  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007-2996

Dear Mr. Rose:

The attached document "Recommendations for Customer Education Plan about Retail Electric Competition" is submitted by the Audience/Messages Subcommittee of the Customer Education Working Group as a follow-up to the June 30, 1998 letter sent previously.

The subcommittee welcomes your comments and questions as to this recommendation and would be happy to respond by whatever means at your convenience. Barbara Keene is the staff contact person for the subcommittee and would be the appropriate person for this feedback.

Sincerely,

*James K. Singer* For The  
Audience/Messages Subcommittee  
Customer Education Working Group

Enclosure

Cc: Docket Control  
Commissioner Jim Irvin  
Commissioner Renz D. Jennings  
Commissioner Carl J. Kunasek  
Perry Baker  
Stephen Ahearn

Arizona Corporation Commission  
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JUL 31 1998

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**Customer Education Working Group  
Audience/Messages Subcommittee**

**Recommendations for Customer Education Plan  
about Retail Electric Competition**

Developed by  
Audience/Messages Subcommittee  
Customer Education Working Group

Submitted to  
Arizona Corporation Commission  
July 31, 1998



## Executive Overview

Although no specific referral to customer education was made in the Arizona Corporation Commission rule regarding electric utility restructuring, it was determined by the Commission in February 1998 that a Working Group be established to address this issue. We, the Audience/Messages Subcommittee of the Customer Education Working Group, submit this recommendation to the Commission regarding customer education on retail electric competition in the state of Arizona. This recommendation should not be viewed as a final document but rather a working draft. This recommendation refers to ACC Article #16 passed in December 1996, which requires the electric industry to begin retail electric competition for a portion of Arizona customers on January 1, 1999.

The Audience/Messages Subcommittee was created out of the Customer Education Working Group which first met on March 27, 1998. The Audience/Messages Subcommittee is a self-selected group composed of 27 representatives from investor-owned utilities, public power, cooperatives, energy service providers, consumer groups, and other interested parties.

It is the understanding of this Subcommittee that our role is to propose recommendations regarding the creation of a Customer Education Plan. On June 30, 1998, the Subcommittee submitted a letter to Executive Secretary Jack Rose regarding a proposed scope of work (*see Appendix A*) for a customer education consultant. That consultant has now been identified as the Commission Public Information Officer. It was also stated in the letter that a customer education proposal would be submitted by July 31, 1998.

While developing this proposal/recommendation, the Subcommittee focused on the following two objectives:

- To recommend a comprehensive, standardized, un-biased, commission-sponsored program that can be implemented statewide in order to educate Arizona consumers about upcoming retail electric competition.
- To identify issues that may affect elements of the customer education plan but do not relate to the primary objective and make recommendations to the Commission for future or concurrent action (i.e. consumer protection, standardization of terms).

The Audience/Messages Subcommittee proposes recommendations in the following areas:

- Program Goals
- Target Audience
- Key Messages
- Communication Channels
- Evaluation
- Plan Implementation/Timeline

The Funding Subcommittee, also created out of the Customer Education Working Group, will be providing a separate report to the Public Information Officer and the Commissioners regarding proposed funding for a comprehensive customer education plan.



## **Part I – Program goals**

In five months, a portion of Arizona's electricity market will be able to choose the provider of their electricity. To date, the majority of these customers (other than a percentage of large industrial customers) are unaware or only slightly aware of the upcoming changes\* and requests for information are increasing.

Historically, energy has been a low involvement, low interest commodity. As long as the lights go on, customers don't think about where the power is coming from. As a result, within this relatively short timeframe, the population of Arizona needs to 1) realize that changes are coming, 2) understand who will be able to participate and when, 3) know where to go for objective, independent information, and 4) have the information necessary to make informed choices. Thus the overall goals of a customer education program are to:

- Provide objective non-biased information
- Create consistency of terminology with other education programs (i.e. public power)
- Generate/increase consumer awareness of electric competition and related issues
- Facilitate informed consumer decision-making
- Create a comprehensive, objective, reliable source of information for all Arizonans

It is important to note that as of this writing, several key elements remain unresolved, including who can participate initially and other timing issues. As a result, the Audience/Messages Subcommittee would like to recommend a two phase program.

The first phase, utilizing the Public Information Officer and in-house funding, seeks to "react" to customer inquiries about upcoming changes. The goals of the initial program are to:

- Provide general awareness of competition in Arizona (prior to January 1, 1999)
- Inform eligible consumers of their opportunities, rights and obligations
- Inform ineligible consumers why they are NOT eligible for competition at this time
- Equip the ACC with a reactive mechanism to respond to questions and complaints (i.e. 800#, website)

The second and more comprehensive phase of the program, proposed to run in preparation for full competition seeks to increase awareness of upcoming choices as well as react to customer inquiries. A funding source to implement the second phase will be proposed in the Funding Subcommittee report. The goals of this second phase are to:

- Increase awareness and assure in-depth understanding of competition among all Arizona consumers so they can make an educated choice regarding their energy supplier
- Assure all consumers understand their opportunities, rights and obligations
- Increase the ability of the ACC to respond to questions and complaints
- Provide information regarding consumer protection

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\* Exact percentage to be determined by formal evaluation (see Part V)



## Part II - Audience/target groups

In order to reach all consumers in the state of Arizona, the primary audience of the customer education plan, the Audience/Messages Subcommittee has defined the following target groups. These target audiences have been identified to ensure the message of utility restructuring reaches all customers throughout the state.

- Media  
*The media will be providing a majority of the messages to the general public through print, radio and television. As a result, it is important that the media thoroughly understand the industry changes.*
- Residential  
*Based on 1996 and 1997 utility annual reports and a 1996 report from the Energy Information Administration, there are 1,787,704 residential utility customers in the state of Arizona. Within this number, there are several sub-groups that should be targeted.*
  - Low income – Arizona's 1996 poverty rate was 20.5 percent, significantly higher than the national average of 13.7 percent.
  - Elderly
  - Disabled
- Small business/commercial  
*According to a report released by the Arizona Department of Commerce in February 1997, Arizona has a total of 409,444 businesses, including home-based and not-for-profit operations. The report shows that 99.5 percent of all businesses (407,198) are considered small businesses with fewer than 100 employees. Only 2,246 have 100 or more employees. Of the small businesses, 303,644 are home-based operations.*
- Non-English speaking/Spanish  
*According to the 1990 U.S. Census, 688,338 persons of Hispanic origin reside in the state of Arizona. Of this number, 478,234 speak Spanish as the primary language in the home.*
- Rural/Outlying Areas  
*According to the 1990 U.S. Census, 550,687 people live outside urbanized areas in the state of Arizona.*
- Seasonal  
*According to the 1990 U.S. Census, approximately 96,104 people in the state of Arizona are seasonal residents (defined as "usual house located elsewhere;" includes seasonal residents living in mobile homes, RV's, condos or single-family detached homes). According to a study/census conducted by Arizona State University in October 1995, Maricopa County has 31,743 seasonal residents.*
- Customers of affected/non-affected utilities  
*Because the Commission does not regulate all utilities in the state of Arizona, it will be important to clarify in all communications who will be able to choose. Approximately 653,701 residential customers in Arizona purchase their power from non-affected utilities.*
- Industrial  
*This customer base will require very little customer education.*
- Government entities (i.e. Forest Service, cities, government offices)



### **Part III - Key messages**

Based on input from the Research Subcommittee, the Audience/Messages Subcommittee has identified consumer questions which will require the development of key messages for the customer education program. These consumer inquiries are based on questions currently being asked of electric utilities as well as the questions frequently addressed in the customer education literature produced by other states.

The Research Subcommittee has identified the following as the most common Frequently Asked Questions in other states:

- What is happening to the electric industry?
- When is it happening?
- Why is this happening?
- What is the purpose of "restructuring" the electric utility industry?
- How will the electricity market change?
- How will changes in the electricity market affect customers?
- What do I need to know about Direct Access?
- Will competition affect the quality or reliability of electric service?
- Who do I call if the lights go out?
- What is "green power"?
- Will my bill change? Who will I pay?
- What if I decide not to choose? Can I stay with my current provider?
- What is the Competition Transition Charge (CTC)? Is it an additional charge? Can I avoid paying it?
- Who will handle any complaints I have? How are consumers' rights protected?
- How can I give the Arizona Corporation Commission and Legislature my input regarding electric restructuring?
- How can I find out more information about Arizona's changing electric industry?
- How can I avoid telephone calls at my home or business from companies trying to sell me electricity? \*
- How can I compare different companies and services? Will there be a standard disclosure formula for rates?

The Audience/Messages Subcommittee also proposes the following questions be addressed in the education program:

- Who will be affected?
- What questions should I ask an energy provider?
- Where can I find un-biased information?
- What is aggregation?
- Can I combine with others for group discounts?

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\* Note that the Research Subcommittee found this question controversial.



- How do I start/join a buying group?
- Why can't I participate now?
- What providers can I choose from?
- Will I save money?
- Am I guaranteed service?
- Will my credit rating affect my ability to obtain service?

In addition to responding to the above questions, the Subcommittee believes the following elements need to be included in the customer education messages.

- Background of electric industry/history of transition
- Glossary of terms (Examples: Pennsylvania's "Brief Definitions for the Deregulation of Electricity Generation" (*see Appendix B*) and California's "Glossary: Electric Utility Industry Terms" (*See Appendix C*))
- Standardization of terms with other customer education programs (i.e. public power).



#### **Part IV - Communication channels**

Based on the target audiences identified in Part II, the Audience/Messages Subcommittee has identified possible communication channels to reach those targeted groups. It is the recommendation of the Audience/Messages Subcommittee that the Public Information Officer in conjunction with the Subcommittee determine which communication channels should be utilized, based on the development of a comprehensive customer education communication plan. The Subcommittee has identified the following communication channels for possible inclusion in that plan.

- Printed materials
  - Bill stuffers
  - Direct mail
  - Mail in response to inquiry (brochures)
- TV/Radio
  - Paid advertising
  - Public service announcements
- Print media
  - Publicity
  - Editorial
  - General news stories
  - Paid advertising
- Web site
- 800#
- Trade shows
- Public meetings (and corresponding newsletters, fliers)
  - Schools
  - Civic organizations (i.e. Chambers of Commerce, Rotaries)
  - Community-based organizations
  - Governmental agencies
  - Neighborhood associations/Block Watches
  - Homeowner associations



## **Part V - Evaluation**

The Audience/Messages Subcommittee has identified several areas requiring evaluation, both before the customer education program is developed and after the program is completed. The evaluation will provide success measures of the program as well as serve as a pulse check regarding the messages that are being publicized.

The Audience/Messages Subcommittee has identified the following three areas for evaluation:

- Pre-program benchmark study that establishes the level of awareness in the state
  - Formulate questions
  - Collect data to answer questions
  - Analyze the data/interpret the answers
  - Modify plans/program based on finding
- Evaluation of customer education programs conducted in other states
  - Successful programs
  - Unsuccessful programs
  - Successful program elements
  - Unsuccessful program elements
  - Costs per customer
- Post-program evaluation of the success of Arizona's customer education program\*.

Methods for pre- and post-program evaluation may include:

- Questionnaires/surveys
- Interviews
- Focus Groups
- Pre- and post-tests
- Commission statistics

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\* Success measurement will be determined based on pre-program baseline study.



## Part VI - Plan Implementation/Timeline

As mentioned in Part I, the Audience/Messages Subcommittee is proposing a two phase customer education program. This two phase plan reflects the current funding available to implement a customer education program. The Subcommittee recognizes that starting immediately and throughout the next few years, the public will be seeing/reading/hearing information about retail electric competition through other education programs and advertising. In the short term, the Audience/Messages Subcommittee sees a need to “react” to customer inquiries. As full competition becomes imminent, the Subcommittee believes it is imperative to create awareness of the upcoming changes so consumers can make informed decisions.

Evaluation of Education programs nationwide (Research Subcommittee)	3/98 – 11/98
Customer Education Plan – Phase I (utilizing in-house funding)	
• Program Development	7/98 – 9/98
• Program Implementation	10/98
Customer Education Plan – Phase II (comprehensive)	
• Funding Committee recommendation	10/98
• Baseline Research of Customer Awareness in Arizona	6/99-1/00
• Program Development	1/00-6/00
• Funding requested	6/99
• Program Implementation	6/00
• Post-Program Evaluation	TBD



## **Appendix A**

### **Recommended scope of work:**

- Develop and implement phase one communication plan to react to consumer inquiries regarding retail electric competition.
- Develop comprehensive communication plan with corresponding budget to educate Arizona consumers regarding retail electric competition.
- Conduct pre-program baseline research and post-program evaluation of education program as well as evaluation of customer education programs conducted in other states.
- Work with a designated stake-holder advisory group (i.e. members of the Customer Education Working Group) to ensure equitable representation of interested parties.



## Glossary of Terms For Electric Power Competition

Click [here](#) for a list of commonly used acronyms.

**Above the Line:** Expenses and revenues required for a utility to operate. Used to identify "revenue requirements" and "rates." Other items such as profits, are "below the line."

**Administrative Law Judge (ALJ):** A Public Utility Commission lawyer who holds formal hearings, gathers facts relating to the case and recommends a decision to the Commission at the end of the hearing process.

**Allowable Rate of Return:** The percentage return (basically profits) allowed to a company by a regulatory commission. It allows the overall cost of financing to be included in the revenue requirement.

**Allowables:** Authorized expense items that are recovered through utility rates (recoverable items).

**Amortization:** Payment over time.

**Averaging:** Spreads the costs over a broad area regardless of the costs of providing the service to any given area.

**Avoided Cost:** An estimate of what it costs the utility to produce power, used to evaluate the purchase of power from non-utility sources.

**Base Load:** The minimum energy level a company must provide to its customers on a constant basis.

**Base Rate:** Rate charged to utility customers for general costs of service not including fuel expenses. This rate is used as the basis for setting discounts and special prices.

**Below the Line:** All income statement items of revenue and expense not included in determining utility net operating income. These kind of items are considered shareholder-related rather than customer-related.

**Bulk Power Market:** Wholesale purchases and sales of electricity.

**Captive Customer:** Utility customers who do not have an option to go to another utility company for their energy service.

**Chapter 56:** The Public Utility Commission's regulations that establish rules for payment of utility bills, requests for service, payment of deposits, billing, termination of service and complaint handling. These regulations are to protect residential customers of regulated electric, gas, water, steam heat, and sewer companies in Pennsylvania.

**Cherrypicking:** When a competitor chooses the best service areas, customers or regions to provide service based on the greatest level of profit attainable.

**Cogeneration:** A process of producing simultaneously electric and thermal (heat) energy from one fuel source.

**Competitively Neutral:** Refers to having the same effect on all competitors in an open market.



**Conservation:** With utilities it means reducing or more efficiently using natural resources and energy in order to conserve the environment and save on utility bills.

**Construction Work In Progress (CWIP):** Construction of utility facility that is not yet operational or in service. Generally CWIP costs may not be included in rates.

**Cost Allocation:** A process for assigning the costs for goods and services among the various customer classes.

**Customer Assistance Programs (CAPS):** Alternative collection program set up between a utility company and a customer that allow customers to pay utility bills on a percentage-of-the-bill they owe or percentage-of-customer-income instead of paying a regular bill. These programs are for low income people who can't pay their bills. These customers must agree to make regular monthly payments based on their new payment plans.

**Daily Peak:** The maximum amount of energy or service demanded in one day from a company or utility service to provide customers with electric utility service.

**Death Spiral:** Situation created when a company's product is not competitive in a market resulting in loss of customers and sales. The company's expenses then have to be spread out over a smaller customer base which in turn results in higher prices for utility service. This forces an increasing number of customers to buy the product at a cheaper price from the competition.

**Deaveraging:** The alignment of prices in a way that is consistent with the cost of providing service in specific areas rather than pricing service on an average basis for the full territory.

**Declining Block Rates:** A type of utility rate structure utilizing lower charges for higher volumes of consumption.

**Decommission:** Removal of a utility plant from active service or use.

**Decontrol:** Removal or relaxation of regulations governing a business operation and specifically a utility service or provider. (See Deregulation.)

**Defacto:** A privately-owned or investor-owned utility company that is operating without a Certificate of Public Convenience (permit) issued by the Public Utility Commission.

**Demand-Side Management (DSM)** Conservation resource planning. The programs identify energy conservation measures for each customer class and is generally designed to reduce or shift resources, e.g. time-of-day meters are one residential conservation measure.

**Department of Environmental Protection (DEP):** A state agency responsible for enforcing regulations to prevent environmental pollution and ruin.

**Depreciation expenses:** Expenses attributed to the wearing out of property. In accounting, depreciation is deducted from assets or property values over the years of expected life of an item. Causes of depreciation can be wear and tear, decay, natural events, changes in requirements and finally depletion of natural resources.

**Deregulation:** Removal or relaxation of regulations or controls governing a business or service operation such as a utility. (See Decontrol.)



**Detariffing:** Removal of tariff regulations by the regulatory agency so that the company or service organization is free of price controls in the competitive marketplace.

**Distribution Line:** The local part of an electric, gas, or water system which delivers the service to the customers.

**Electromagnetic Field (EMF):** Invisible electric fields produced by the current of electricity through a wire. EMF also occurs naturally as part of earth's magnetic field. Debates focus on the health effects on humans.

**Embedded Cost:** A ratemaking term. A cost already incurred which is fixed and cannot be minimized or changed by reducing output.

**End Use:** The final purpose of a product or output by the consumer. The product when the consumer gets it.

**Energy Cost Rate (ECR):** A portion of a utility customer's bill that reflects changes in the cost of purchasing fuel for power plants, electricity sales to other utilities, and electricity purchases from other utilities and non-utility generators. Normally, the rate is adjusted once a year.

**Environmental Protection Agency (EPA):** A federal agency created in 1970 to be responsible for protection and management of the nation's natural resources from environmental pollution. Establishes standards, monitors and enforces pollution abatement, and control regulations.

**Evidentiary Hearing:** A fact-finding hearing, conducted in most major rate cases to establish the validity of parties' positions. Certain rules of procedure apply to these hearings so all parties can adequately and fairly present their position and build their case.

**Excess Capacity:** Volume or capacity over and above that which is needed to meet planned or expected demands for utility service.

**Externalities:** Estimates of costs--such as social, political, and environmental--that are not included as factors in economic calculations in rate cases, generally.

**Federal Energy Regulatory Commission (FERC):** A federal regulatory agency that sets rates for wholesale electricity and interstate gas transportation.

**Feeder:** Supply of energy from a source location to a distribution center.

**Fixed Cost:** In utility terms, expenses that do not fluctuate relative to any change in output (production) volume.

**Flat Rate:** A fixed charge for goods and services that does not vary with changes in the amount used, volume consumed, or units purchased.

**Forced Outage:** Any time an energy facility is forced out of service, not including during regularly scheduled service maintenance.

**Formal Complaint:** A written dispute or disagreement about a utility problem filed by a consumer with the Public Utility Commission. A formal complaint is assigned to an Administrative Law Judge (ALJ) who holds hearings to develop a record. After the hearings, the Judge issues a decision. (See informal complaint.)



**Fossil Fuels:** Natural resources such as coal, oil, natural gas that are the byproduct of decay of plants and animals and are used as fuels.

**Free-Riders:** Customers who subscribe or participate in a no cost or reduced cost program or service when they normally would have the money and pay for it themselves.

**Gauss:** A unit for measuring electromagnetic fields. (See Milligauss.)

**Generation:** Production of electricity from a power plant.

**Greencos:** Demand side management and other non-polluting sources of energy generation.

**Grid:** A network for the transmission of electricity throughout the state or nation.

**High Tension or High Voltage Lines:** Electric lines carrying voltage greater than 100,000 volts.

**Incentive Regulation:** A form of utility regulation where the level of profit is determined by regulation based on standards of performance for service provided and cost effectiveness.

**Independent Power Producers (IPP):** Non-regulated energy producers; generally individuals or companies not regulated by government as a public utility, that offer electric power for sale to the public--usually on a wholesale basis. The term is sometimes meant to include qualifying cogeneration or small power facilities under the Public Utility Regulatory Policies Act that produce power for sale, at wholesale, to an electric utility.

**Informal Complaint:** A dispute or disagreement about a utility problem filed by a consumer with the Public Utility Commission's Bureau of Consumer Services (BCS). A BCS investigator reviews the informal complaint and provides the customer with a response to their dispute. Most responses are in the form of a decision that the customer or company can appeal. If an informal complaint is appealed, it becomes a formal complaint. (See Formal Complaint.)

**Infrastructure:** The basic framework of a network system or grid including the equipment, wires and cables, the management, and the financial aspects of each part of the network.

**Interruptible Rate:** A special utility rate given to those who have their service temporarily stopped as part of an agreement with the utility company. Circumstances for service interruptions can be periods of high demand or high cost periods of short supply for the utility, and/or system emergencies.

**Investor-owned Utility:** A utility company owned and operated by private investors.

**Kilowatt-Hour (KWH):** A measure of electricity consumption equal to 1,000 watts of power over a period of one hour.

**Load:** The amount of electricity being used at one time by a customer, circuit or system.

**Low Income Home Energy Assistance Program (LIHEAP):** A federal/state program to assist low income utility customers pay for energy services.

**Load Management:** Shifting energy demands for a utility to different time periods of the day.

**Monopoly** Control of a product, market, or industry by one individual or company. A situation that



is characterized by the absence of competition. (See also franchise, oligopoly, competition, and deregulation.) Customers do not have a choice of their service.

***Municipal Ownership:*** A utility that is owned and operated by a municipal (city, borough or township) government.

***National Association of Regulatory Commissioners (NARUC):*** A nationwide association of state public utility commissions set up to educate and share information on utility issues.

***NOI (Notice of Inquiry):*** A request for comments and information on a specific topic or issue from consumers or any party directly interested or involved.

***Non-bypassable:*** A condition where cost/benefits are able to be shared by all customers across competitive markets.

***Non-utility Generation:*** When a company other than a regulated public utility company produces power for sale.

***Notice of Proposed Rulemaking (NOPR):*** A request for comments and information on a specific topic or issue from consumers or any party directly interested or involved. Often a document is developed for parties to comment on.

***Nuclear Regulatory Commission (NRC):*** A federal agency which licenses nuclear power plants; it is responsible for power plants' safe operation.

***Office of Consumer Advocate (OCA):*** A government office that represents the interests of residential utility consumers before the Public Utility Commission in rate and service cases and before other state and federal regulatory agencies and courts.

***Office of Small Business Advocate (OSBA):*** A state government office that represents the interests of small business consumers by participating in PUC rate cases and other state and federal regulatory cases.

***Off-peak Period:*** Generally a low point in use of a power producing system. Period of time when the quantity (or load) delivered by a utility system, or when the demand by customers, is not at the maximum compared to other periods of time. Opposite of peak period.

***Oligopoly:*** A market situation in which each of a few producers affects but does not control the market.

***On-peak Period:*** A time when delivery of utility service is at or near the maximum system capacity. Also called "peak period."

***Open Access:*** A concept to permit new generators to attach to the transmission system and move their power without significant barriers by the utility.

***Open Market:*** Competition is allowed.

***Order:*** The written decision of a judge or official body. An official written document usually issued at the conclusion of a proceeding containing the findings and conclusions of the PUC. An order usually contains instructions to all parties of the case to carry out the objectives of the Order.

***Peak Load:*** The maximum demand for energy (or the maximum load consumed or produced) on a



utility system in a stated period of time. This determines the utility's necessary generating capacity.

**Peak Period:** A time when delivery of utility service is at or near the maximum system capacity. Also called "On-peak period."

**Performance Based Rate Making:** A term used interchangeably with incentive regulation; used when setting rates for regulated utility companies.

**Plant:** Land, building, and equipment that are part necessary for utility service.

Polling Voting on certain rate case issues by each PUC Commissioner at a Public Session. The votes help the Commission reach agreement in the final order.

**Power Pool:** Combining electric power supplies. Two or more interconnected electric systems planned and operated to supply power in the most reliable and economical manner.

**Price Cap:** Situation where a price has been determined and fixed but earnings are not restricted to a fixed rate of return.

**Public Input Hearings:** Meetings where consumers can give input to the PUC. Sworn or unsworn testimony to the PUC judge and to the utility, consumer advocate and PUC staff. The PUC conducts hearings in the service area of the utility who requested the rate increase. Sometimes consumers can point out problems with the quality of the utility's service, management, or policies which could affect the outcome of a case.

**Public Meeting:** Meeting, open to the public, where the PUC Commissioners vote on all rate case filings and other official PUC business. (Also Public Session.)

**Public Session:** Meeting, open to the public, where the PUC Commissioners vote on all rate case filings and other official PUC business. (Also Public Meeting.)

**Public Utility Code:** The law which sets the powers and duties of the PA Public Utility Commission. It also sets many of the guidelines the PUC uses for utilities' rates and service standards.

**Public Utility Commission (PUC):** The state regulatory agency that provides oversight, policy guidance and direction to electric public utilities.

**Public Utilities Regulatory Policy Act (PURPA):** Central to federal energy policy, PURPA required that electric utilities purchase power from independent power producers when that power was generated from renewable resources, a waste product, or from the cogeneration of steam and electricity. The power's purchase price would be equal to or less than what it cost the utility to produce that additional power.

**Qualifying Facility (QF):** Non-utility generators of energy that meet certain operating and efficiency standards set by the Federal government.

**Rate Base:** The total dollar amount of investment that a utility company has in its plant and equipment upon which the utility may earn a profit. The PUC determines what is allowed and not allowed in the rate base.

**Rate Deaveraging:** The procedure of setting rates for the same service when there are differences in costs and usage because of the geographical location of the consumer.



**Rate of Return (ROR):** The maximum level of "profit" a utility company is permitted to earn as decided by the Public Utility Commission after investigating the utility's rate request.

**Real-time Pricing:** Utility rates that reflect the actual cost of providing service at a given time creating fluctuating utility prices.

**Regulation:** A rule or law established by the federal or state government which sets procedures that a utility must follow. Pennsylvania Chapters 56 and 64 are examples of regulations about how a utility must treat residential customers.

**Resellers:** Companies that purchase utility service from a wholesaler and resell it to consumers.

**Retail Wheeling:** Also known as retail customer choice--A utility company is required to transport electricity from a generating plant it does not own directly to its retail customers. This gives retail customers the ability to purchase electricity from sources they choose.

**Retail Customer Choice:** See Retail Wheeling

**Right-of-way:** A piece or strip of land used by a utility for the construction and operation of its facilities.

**ROR (Rate of Return):** The maximum level of "profit" a utility company is permitted to earn as decided by the Public Utility Commission after investigating the utility's rate request.

**Rural Electric Cooperative:** Generally a non-profit, customer-owned electric utility, responsible for distributing power in rural areas.

**Standing:** Legal right of a person or group to challenge the conduct of another.

**Stranded benefits:** Special collection programs, renewable energy and DSM programs, lifeline rates and other utility resources belonging to a monopoly utility that may not be funded if the sales base of the utility is eroded.

**Stranded commitment:** Assets and contracts associated with shifting to competition which are above market prices and hence result in non-competitive conditions for the utility.

**Stranded investments or stranded costs:** A utility investment, such as facility and equipment that is left without customers to support its operation.

**Title 52:** The section of the Pennsylvania Code that governs utilities.

**Transmission Access:** Interconnecting or accessing electric transmission lines for the purpose of sale or production of power.

**Transmission Lines:** Water, gas, or electric lines which move service from one point to another for distribution to the customers.

**Unbundling:** Breaking down services offered into parts so each part can be billed separately.

**Utility Competition:** Two or more electric suppliers providing the same or similar goods or services in the same market place and for the same customers.



**Valley Filling:** In electric utility planning, term used to change or move customer consumption so that output of electricity is more evenly distributed throughout the day or year.

**Weatherization:** Modifying a home or structure to conserve energy. Sealing window and door frames with caulking or gaskets, installing storm doors and windows, and adding or increasing the insulation in order to decrease utility cost by increasing thermal efficiency.

**Wheeling:** The transmission of power that has been generated by one utility system over the lines of another utility system.

**Wholesale Competition:** Situation where municipal and other regulated utilities can exercise choice in electricity suppliers in order to meet customer needs.

**Write-Down (or Write-offs):** The assets on the accounting books that are not profitable or are uncollectible and are removed from the accounting books, through a charge to earnings and/or a reduction in stockholder value.

Click [here](#) for a list of [references](#) used in creating this glossary.



**Glossary:**  
**Electric Utility Industry Terms****Aggregation**

The process where consumers voluntarily join their purchasing power to secure electricity at favorable rates or terms.

**Aggregator**

A person or organization that facilitates the formation of the group or buying pool that will purchase electricity in quantity. The aggregator may also be an electric service provider but does not need to be.

**Biomass**

Energy resources that are or were living matter, such as wood, municipal and manufacturing waste, and alcohol fuels.

**California Energy Commission (CEC)**

The state-appointed board that has developed the state's renewable energy program and determines the need for alternative power sources.

**California Public Utilities Commission (CPUC)**

The state agency that regulates the electric utility industry and is overseeing the changes in that industry.

**California Alternate Rates for Energy (CARE)**

A program of lower electric rates for those with limited incomes.

**Consumers**

Industrial, agricultural, large retail, commercial and residential electricity users. This website addresses concerns of residential, small business and small agriculture consumers.

**Competition Transition Charge (CTC)**

A regrouping and new name for charges which electricity customers have always paid. The CTC allows existing utilities to retire debt, compete fairly, and assure the reliability of the utilities' distribution systems.

**Distribution**

The function of delivering power to consumers. This includes wires and poles, repair crews, emergency services.

**"Do Not Call" List**

A listing of names of consumers who have asked that they not be solicited by phone by electric service providers. The list is maintained by the CPUC, which can penalize offending companies.

**Electric Service Provider (ESP)**

The company or organization that provides electricity from a variety of generation sources. Click here for a list of Registered Service Providers.

**Electric Service Provider (ESP)**

An electricity sales person or organization registered with the California Public Utilities Commission. Click here for a list of Registered Service Providers.



**Federal Energy Regulatory Commission (FERC)**

A national authority that regulates the interstate transmission of electricity, including wholesale energy purchases and transmission rates.

**Generation or Generation System**

The actual creation of electricity by various sources of power, including natural gas, hydroelectric, solar, wind, geothermal, nuclear, biomass and coal.

**"Green" Power**

See Renewable Energy Source.

**Independent System Operator (ISO)**

A new entity that will manage the long-distance transmission grid for California to ensure continued system reliability.

**Investor Owned Utility (IOU)**

The local utility companies that provide service to over 70% of Californians (PG&E, SCE, SDG&E).

**Kilowatt hour (kWh)**

The measurement of electricity.

**Non-Renewable Energy Source**

An electricity-generating source that can be used only once, with negative impact on the environment. Examples include: oil, coal and nuclear.

**Office of Ratepayer Advocates (ORA)**

A division of the California Public Utilities Commission.

**Power Exchange (PX)**

A new entity that will facilitate the buying and selling of electricity through a competitive bidding system.

**Power Grid**

The linking system where all providers funnel electricity before it is transmitted and distributed.

**Provider**

The company or organization that supplies electricity from a specific generation source.

**Public Purpose Programs Charge**

A regrouping of charges for social programs that Californians have been supporting for years, as well as some new programs. Charges support programs for low-income consumers, energy-efficiency renewable energy sources and research.

**Renewable Energy Source**

Any source of energy generation that doesn't run out or are quickly renewed by naturally recurring events in nature. Generally, renewable energy sources have minimal impact on the environment. Examples include: wind (windmills), water (hydroelectric dams), and solar (photovoltaic panels).

**Renewable Energy.**

Any source of energy generation that can be used more than once, such as wind (windmills), water (hydroelectric dams) or solar (photovoltaic panels). Generally, renewable energy sources have minimal impact on the environment.

**"Slamming"**



The switching of a consumer's electric service provider without the consumer's knowledge or consent.

**Time-of-Use Pricing**

A way for consumers to potentially lower costs by paying for electricity at a lower rate during "non-peak" hours, a higher rate during "peak" hours, and shifting their usage to non-peak hours. Within the next 24 months, consumers are expected to be able to take advantage of time-of-use pricing.

**Transmission**

The conveying of electricity from generators to distributors, or the long-distance conveying of electricity from a generator to a local substation.

**Transmission System**

The long-distance conveying of electricity from a generation source to local distribution systems' substations via high-voltage lines.

**Utility Distribution Company (UDC)**

A new name for the local utility company.

Note: if you are unable to find the specific answer to a question on this site, you can also call the Electric Education Call Center at 1-800-253-0500.